

# Rubin & Hays

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CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

January 8, 2007

RECEIVED

JAN 9 2007

PUBLIC SERVICE  
COMMISSION

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: Big Sandy Water District - Kentucky Public Service Commission Application for approval of issuance of securities

Dear Ms. O'Donnell:

*Case No. 7007-00014*

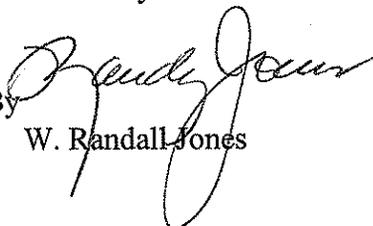
Enclosed please find the original and ten (10) copies of the Application of the Big Sandy Water District for an Order approving the issuance of securities pursuant to KRS 278.300.

**Please be advised that this financing is part of a pooled issue through the Kentucky Rural Water Finance Corporation which is scheduled to close on January 30, 2007. We are therefore requesting that the Commission expedite this case and issue its Order no later than January 30, 2007.**

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By   
W. Randall Jones

WRJ:ilm  
Enclosures

cc: Ms. Teresa Brown, Big Sandy Water District

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION **RECEIVED**

JAN 9 2007

PUBLIC SERVICE  
COMMISSION

In the matter of:

**APPLICATION OF THE BIG SANDY WATER )  
DISTRICT FOR AN ORDER APPROVING )  
THE ISSUANCE OF SECURITIES )  
PURSUANT TO KRS 278.300 )**

Case No. 2007-00014

**APPLICATION**

The Big Sandy Water District (the "District"), by counsel, pursuant to KRS 278.300, petitions the Commission for an order approving the issuance of securities to finance a waterworks improvement project and retire certain outstanding promissory notes. The following information is filed in accordance with the Commission's regulations:

1. The District's office address is 18200 State Route 3, Catlettsburg, Kentucky 41129. Its principal officers are listed in its 2005 Annual Report, which is on file with the Commission;
2. The District is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws;
3. A description of the District's water system and its property stated at original cost by accounts is contained in its 2005 Annual Report, which is incorporated by reference pursuant to 807 KAR 5:001 Section (5)(5). All required normal financial schedules and other data are in the Annual Report;
4. The water improvements project (the "Project") consists of the acquisition of radio read meters and purchasing certain billing hardware and software;
5. The Project is in the public interest and is required to allow the District to comply with applicable regulations;

6. The total project cost is approximately \$935,000, of which \$543,050 is budgeted for the acquisition of radio read meters; \$35,000 is budgeted for the acquisition of upgraded billing hardware and software; \$321,688 is budgeted for the repayment of certain outstanding indebtedness; and \$35,262 is budgeted for financing expenses;

7. No easements are required for the Project;

8. This service will not compete with any other utility in the area;

9. Based on these facts, the District believes that it is in the public interest that the issuance of the securities be authorized;

10. The following information is provided in response to 807 KAR 5:001 Section (8)(3);

a. Articles of Incorporation - None, the District is a statutorily created water district under KRS Chapter 74;

11. The following information is provided as required by 807 KAR 5:001 Section (11)(1);

a. A general description of the property is contained in the 2005 Annual Report;

b. The Project will be funded from the proceeds of a loan in the approximate amount of \$935,000 from the Kentucky Rural Water Finance Corporation through its Flexible Term Program - the District files herewith as **Exhibit "A"** the Sources and Uses of Funds Schedule and the Estimated Debt Service Schedule, as prepared by Morgan Keegan, financial advisors to the Kentucky Rural Water Finance Corporation;

c. All funds are to be used in accordance with the Sources and Uses of Funds, see Exhibit "A";

d. The property being acquired in connection with this Project is (i) radio read meters; and (ii) billing hardware and software;

e. Approximately \$321,688 of the proceeds of the KRWFC Loan are being used to refund outstanding certain outstanding notes issued by KRWFC (see attached **Exhibit "B"** which sets out the relevant financial information on the KRWFC note). The proceeds of said note were used to install water lines in Lawrence County. Since the cost of these extensions was less than \$500,000, the District was not required to obtain a Certificate of Public Convenience and Necessity.

f. The KRWFC Loan will be repaid out of the revenues of the District's system.

12. The following exhibits are provided pursuant to 807 KAR 5:001 section (11)(2);

a. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2005. The financial data filed herewith as **Exhibit "C"** (detailed Income Statement and Balance Sheet) is for the twelve (12) month period ending December 31, 2005. This is the most recent published financial data available. The District is in the process of upgrading their computer software and currently does not have the capability to generate up to date financial information in a timely manner.

b. There are no trust deeds or mortgages applicable;

c. Property is being acquired in connection with the Project (see paragraph 6 above). There are no maps or plans relating to the property acquisition. It is estimated that \$543,050 will be assigned to USOA account #334 (meters and meter installation); \$321,688 will be assigned

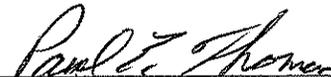
to USOA account #331 (transmission and distribution mains); and \$35,000 will be assigned to USOA account #340 (office furniture and equipment).

13. The District is of the opinion that a Certificate of Public Convenience and Necessity (KRS 278.020) is not required in connection with this Project due to the fact that this Project does not involve any construction. The proceeds of the KRWFC loan are being used for the acquisition of radio read meters which will be installed in the place of existing meters. If the Commission determines that a Certificate is needed, the District will file the necessary documentation to satisfy the Commission's regulations.

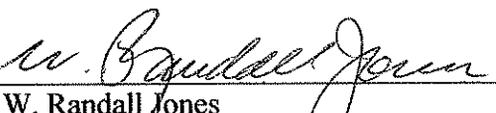
**WHEREFORE**, the Applicant, Big Sandy Water District requests that the Public Service Commission of Kentucky grant to the Applicant the following:

- A. An order approving the issuance of securities in the form of a loan from the Kentucky Rural Water Finance Corporation in the approximate amount of \$935,000.
- B. Applicant's motion for a deviation from the 90 day requirement for financial information as required by 807 KAR 5:001 Section (11)(2)(a).
- C. A finding that a Certificate of Public Convenience and Necessity is not required in connection with this Project.

Big Sandy Water District

By   
Chairman

Rubin & Hays

By   
W. Randall Jones  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7525





**\$935,000**

*Big Sandy Water District  
Loan through the  
Kentucky Rural Water Finance Corporation*

**Sources & Uses**

Dated 01/30/2007 | Delivered 01/30/2007

**Sources Of Funds**

Par Amount of Bonds..... \$935,000.00

**Total Sources..... \$935,000.00****Uses Of Funds**

Original Issue Discount (OID)..... 2,224.53

Total Underwriter's Discount (1.262%)..... 11,800.47

Costs of Issuance..... 16,992.50

Gross Bond Insurance Premium ( 30.0 bp)..... 4,162.79

Payoff of Series 2005 D Note..... 321,688.00

Deposit to Project Construction Fund..... 578,050.00

Rounding Amount..... 81.71

**Total Uses..... \$935,000.00**

**\$935,000**

*Big Sandy Water District  
Loan through the  
Kentucky Rural Water Finance Corporation*

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+i	Fiscal Total
01/30/2007	-	-	-	-	-
07/01/2007	-	-	15,891.91	15,891.91	-
12/30/2007	-	-	-	-	15,891.91
01/01/2008	31,000.00	3.850%	18,944.00	49,944.00	-
07/01/2008	-	-	18,347.25	18,347.25	-
12/30/2008	-	-	-	-	68,291.25
01/01/2009	33,000.00	3.850%	18,347.25	51,347.25	-
07/01/2009	-	-	17,712.00	17,712.00	-
12/30/2009	-	-	-	-	69,059.25
01/01/2010	34,000.00	3.850%	17,712.00	51,712.00	-
07/01/2010	-	-	17,057.50	17,057.50	-
12/30/2010	-	-	-	-	68,769.50
01/01/2011	35,000.00	3.850%	17,057.50	52,057.50	-
07/01/2011	-	-	16,383.75	16,383.75	-
12/30/2011	-	-	-	-	68,441.25
01/01/2012	37,000.00	3.850%	16,383.75	53,383.75	-
07/01/2012	-	-	15,671.50	15,671.50	-
12/30/2012	-	-	-	-	69,055.25
01/01/2013	38,000.00	3.850%	15,671.50	53,671.50	-
07/01/2013	-	-	14,940.00	14,940.00	-
12/30/2013	-	-	-	-	68,611.50
01/01/2014	40,000.00	3.900%	14,940.00	54,940.00	-
07/01/2014	-	-	14,160.00	14,160.00	-
12/30/2014	-	-	-	-	69,100.00
01/01/2015	41,000.00	3.900%	14,160.00	55,160.00	-
07/01/2015	-	-	13,360.50	13,360.50	-
12/30/2015	-	-	-	-	68,520.50
01/01/2016	43,000.00	3.950%	13,360.50	56,360.50	-
07/01/2016	-	-	12,511.25	12,511.25	-
12/30/2016	-	-	-	-	68,871.75
01/01/2017	44,000.00	4.000%	12,511.25	56,511.25	-
07/01/2017	-	-	11,631.25	11,631.25	-
12/30/2017	-	-	-	-	68,142.50
01/01/2018	46,000.00	4.000%	11,631.25	57,631.25	-
07/01/2018	-	-	10,711.25	10,711.25	-
12/30/2018	-	-	-	-	68,342.50
01/01/2019	48,000.00	4.000%	10,711.25	58,711.25	-
07/01/2019	-	-	9,751.25	9,751.25	-
12/30/2019	-	-	-	-	68,462.50
01/01/2020	50,000.00	4.100%	9,751.25	59,751.25	-
07/01/2020	-	-	8,726.25	8,726.25	-
12/30/2020	-	-	-	-	68,477.50
01/01/2021	52,000.00	4.100%	8,726.25	60,726.25	-
07/01/2021	-	-	7,660.25	7,660.25	-
12/30/2021	-	-	-	-	68,386.50
01/01/2022	54,000.00	4.150%	7,660.25	61,660.25	-
07/01/2022	-	-	6,539.75	6,539.75	-
12/30/2022	-	-	-	-	68,200.00
01/01/2023	57,000.00	4.150%	6,539.75	63,539.75	-
07/01/2023	-	-	5,357.00	5,357.00	-
12/30/2023	-	-	-	-	68,896.75
01/01/2024	59,000.00	4.200%	5,357.00	64,357.00	-
07/01/2024	-	-	4,118.00	4,118.00	-
12/30/2024	-	-	-	-	68,475.00
01/01/2025	62,000.00	4.250%	4,118.00	66,118.00	-
07/01/2025	-	-	2,800.50	2,800.50	-
12/30/2025	-	-	-	-	68,918.50
01/01/2026	64,000.00	4.250%	2,800.50	66,800.50	-
07/01/2026	-	-	1,440.50	1,440.50	-
12/30/2026	-	-	-	-	68,241.00
01/01/2027	67,000.00	4.300%	1,440.50	68,440.50	-
12/30/2027	-	-	-	-	68,440.50
<b>Total</b>	<b>\$935,000.00</b>	<b>-</b>	<b>\$452,595.41</b>	<b>\$1,387,595.41</b>	<b>-</b>

**Yield Statistics**

Bond Year Dollars.....	\$10,968.68
Average Life.....	11.731 Years
Average Coupon.....	4.1262521%
Net Interest Cost (NIC).....	4.2541161%
True Interest Cost (TIC).....	4.2864729%
Bond Yield for Arbitrage Purposes.....	4.1925499%
All Inclusive Cost (AIC).....	4.6105538%
<b>IRS Form 8038</b>	
Net Interest Cost.....	4.1590212%
Weighted Average Maturity.....	11.724 Years



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**\$316,000**

*Kentucky Rural Water Finance Corporation  
Flexible Term Finance Program  
Big Sandy Water District*

**Sources & Uses**

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Dated 12/22/2005 | Delivered 12/22/2005

**Sources Of Funds**

Par Amount of Bonds.....	\$316,000.00
<b>Total Sources.....</b>	<b>\$316,000.00</b>

**Uses Of Funds**

Total Underwriter's Discount .....	129.56
Costs of Issuance.....	6,554.28
Deposit to Capitalized Interest (CIF) Fund.....	6,920.40
Deposit to Project Construction Fund.....	300,000.00
Rounding Amount.....	2,395.76
<b>Total Uses.....</b>	<b>\$316,000.00</b>

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**\$316,000**

*Kentucky Rural Water Finance Corporation  
Flexible Term Finance Program  
Big Sandy Water District*

**Debt Service Schedule**

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Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/22/2005	-	-	-	-	-
07/01/2006	-	-	6,920.40	6,920.40	-
12/30/2006	-	-	-	-	6,920.40
01/01/2007	316,000.00	3.600%	5,688.00	321,688.00	-
12/30/2007	-	-	-	-	321,688.00
Total	\$316,000.00	-	\$12,608.40	\$328,608.40	-

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**Yield Statistics**

Bond Year Dollars.....	\$350.23
Average Life.....	1.108 Years
Average Coupon.....	3.600000%
Net Interest Cost (NIC).....	3.6369925%
True Interest Cost (TIC).....	3.6341790%
Bond Yield for Arbitrage Purposes.....	3.4488495%
All Inclusive Cost (AIC).....	5.6639281%
<b>IRS Form 8038</b>	
Net Interest Cost.....	3.4510542%
Weighted Average Maturity.....	1.108 Years



Big Sandy Water District  
Statement of Net Assets  
Proprietary Funds  
December 31, 2005

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	\$ 424,539
Cash and cash equivalents - restricted	16,395
Investments- restricted	492,482
Accounts receivable - net of allowance for doubtful accounts	145,169
Inventory	52,225
Prepaid expenses	<u>16,224</u>
Total Current Assets	<u>1,147,034</u>
Noncurrent Assets	
Capital assets: (note 1)	
Plant, equipment and lines	15,266,479
Less accumulated depreciation	<u>(3,727,196)</u>
Total Noncurrent Assets	<u>11,539,283</u>
Total Assets	<u><u>\$12,686,317</u></u>

LIABILITIES

Current Liabilities	
Accrued expenses	\$ 66,197
Bonds payable	80,000
Payable from restricted assets	<u>72,944</u>
Total Current Liabilities	<u>219,141</u>
Noncurrent Liabilities	
Bonds payable	<u>4,472,500</u>
Total Noncurrent Liabilities	<u>4,472,500</u>
Total Liabilities	<u>4,691,641</u>

NET ASSETS

Invested in capital assets, net of related debt	6,986,783
Restricted net assets	435,933
Unrestricted net assets	<u>571,960</u>
Total Net Assets	<u><u>\$ 7,994,676</u></u>

The accompanying notes to the basic financial statements are an integral part of these statements.

Big Sandy Water District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
December 31, 2005

Revenues	
User fees	\$ 1,525,426
Other water revenue	<u>26,473</u>
Total Revenues	<u>1,551,899</u>
Expenses	
Source of supply-operations	460,364
Transmission and distribution-operations	318,743
Transmission and distribution-maintenance	70,479
Customer accounts expense	14,291
Administrative and general	516,091
Taxes other than income	<u>30,473</u>
Total Operating Expenses	<u>1,410,441</u>
Operating Income (Loss)	<u>141,458</u>
Nonoperating Revenues (Expenses)	
Capital grants	683,146
Tap fees	112,590
Interest income	6,619
Interest expense	<u>(202,259)</u>
Net Nonoperating Revenues (Expenses)	<u>600,096</u>
Net Income (Loss)	741,554
Total Net Assets - beginning	7,396,948
Depreciation charged to grants	(129,258)
Prior period adjustment	<u>(14,568)</u>
Total Net Assets - ending	<u>\$ 7,994,676</u>

The accompanying notes are an integral part of the financial statements.

Big Sandy Water District  
Statement of Cash Flows  
Proprietary Fund Type  
December 31, 2005

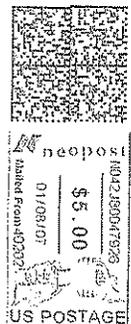
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	\$ 1,559,957
Cash paid to employees	(382,183)
Cash paid for general and administrative expenses	<u>(820,880)</u>
Net Cash provided by operating activities	<u>356,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	6,619
Customer deposits	<u>6,605</u>
Net Cash provided by investing activities	<u>13,224</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Capital grants	683,146
Bond receipts	316,000
Bond payments	(79,500)
Tap fees	112,590
Purchase of assets	(1,592,290)
Prior period adjustment	(14,568)
Interest paid	<u>(202,259)</u>
Net Cash used in capital and financing activities	<u>(776,881)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(406,763)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,340,179</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 933,416</u>
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income	\$ 141,458
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
(Increase) in prepaid expenses	(1)
(Increase) in inventory	(3,965)
Depreciation	195,098
Decrease in accounts receivable	8,058
Increase in accounts payable	<u>16,246</u>
Net cash provided by operating activities	<u>\$ 356,894</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

ATTORNEYS AT LAW  
**Rubin & Hays**  
Kentucky Home Trust Bldg., 450 South Third St., Louisville, KY 40202

To

Ms. Beth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
P. O. Box 615  
Frankfort, Kentucky 40602



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